

Shared Leadership for a Stronger Montana Economy

Preamble: Economic development in Montana has many advocates, including the governor, state legislature, congressional delegation, educators and the business community. Each of these entities has a significant role in moving economic development forward in Montana. Bringing these groups together to craft a more integrated approach to economic development is a critical foundation for sustained economic progress.

Purpose: The purpose of this document is to recognize a course of action by which the Montana University System can coordinate more efficiently with the executive and legislative branches, our congressional delegation, the K-12 educational system and the business community to improve Montana's economy and create more good jobs for our citizens.

Background: Over the past five months the Montana Board of Regents has had many discussions about the need for the university system to take a more direct leadership role in the state's economic development. At the request of the Regents and the Office of Commissioner of Higher Education (OCHE) a number of people from various state agencies/organizations have been meeting as a working group in an attempt to distill admirable goals into practical and actionable initiatives.

Over these past months the composition of the working group has varied but has included members of the Legislative Services Division, the Legislative Fiscal Division, OCHE, the Governor's Office, the Board of Regents and others interested in working on this important issue. For lack of a better term this group is called the "ad hoc working group" throughout this discussion. Its composition is listed in Appendix A.

The initial work of the ad hoc working group culminated in January 2004 when the Board of Regents unanimously approved the process described in this document. Furthermore, the Legislative Council – a council of Montana's key legislative leaders from both chambers and both parties – resolved that the Post Secondary Education Policy and Budget (PEPB) Subcommittee is the best legislative body to represent the legislature in this process at this time. Subsequently, during its January meeting, the PEPB Subcommittee also approved the process described in this document. The Economic Affairs Interim Committee is also interested in, and being kept informed of, this evolving process.

Contents: This document provides a short summary of how our economy is changing, since a statewide economic development plan must be forward-thinking and not focused on the "rear-view mirror." Also described is a three-step plan of action for beginning what will need to be a long-term process. Included in this three-step plan is a list of preliminary objectives that serve as a starting point for affecting change.

The Changing World Economy: The following is a brief summary of how the global economy is changing. It provides a basis for understanding why and how state economic policies need to evolve. A National Governors' Association report summarizes the competitive challenges for the states:

Today's state leaders face two economic challenges: to maintain national leadership in job and wealth creation and to compete successfully in a global economy.

The key to both of these goals is innovative capacity. Why? Because innovation drives productivity growth, which, in turn, drives prosperity and justifies higher wages. Moreover, it [innovation] creates the advanced products and services that capture global market share. As the 2002 *Economic Report of the President* makes clear, the longest economic boom in the nation's history was driven by the development of new knowledge and the deployment of new technologies. Yet, the competitive challenges for states have never been greater for several reasons.

First, rapid globalization is changing the parameters for economic success. ... Globalization is forcing states to compete head-to-head with international competitors whose access to technology, talent, and capital sometimes rivals or exceeds their own. Those assets – often combined with lower labor costs – are attracting high-value investments by multinational companies. Competing for business investment requires that states remain flexible in targeting research and technology – so they remain on the leading edge of increasingly rapid and global diffusion of knowledge and know-how.

Second, the pace of technological change is straining the capacity of state workforces to keep up. Jobs requiring an advanced degree are among the fastest growing categories in the labor market. But the number of science and engineering graduates nationwide is declining. No state can fuel an innovation economy – either leveraging technology to grow new industries or applying technology to transform older ones – without access to the right kind of technical talent.

Third, high-quality and rapid product deployment are no longer the sole determinants of competitiveness and market success. Rather, they represent the baseline requirements just to get in the game. The basis of market advantage today is specialization, focused through regional clusters and driven, in large part, by the ability to develop and to deploy the specialized research, talent, and technology, as well as the linkages that support them.¹

It is in this context of a rapidly changing global economy that we must evaluate an expanded role for our university system and the development of a forward-thinking set of economic policies for Montana.

Course of Action: The working group's recommended course of action for Montana and our university system can generally be described in three major steps. The first two steps are targeted for completion by May 2004. The third step involves the creation of teams to develop and implement action plans over the subsequent two to five years.

The first major step is to more formally establish the group that will provide broad policy oversight for this process going forward and the team that will actually do the groundwork. The Board of Regents and the PEPB Subcommittee recommend the formation of two elements.

The first would be a **leadership group** (Appendix B) comprised of leaders from the legislative and executive branches as well as business, education and relevant organizations' leaders. This group would provide oversight and direction for the project and provide the forum for forging consensus at each step in the process. This group would not necessarily meet in person but certainly could if there is a collective willingness and need. The leadership group will be expected to provide advice and direction for the overall effort. Success is dependent on key leaders in Montana being engaged and having ownership in a coordinated effort to improve our economy.

The second group would be the **project team**. This team would consist of people in related agencies and organizations willing to conduct the actual policy research and develop recommendations/action plans for review by the leadership group. Each member of the leadership group will be invited to appoint a senior staff member to serve on this team. The project team will meet approximately 4-6 times during the coming year. Once step three is reached and specific action plans are developed, the project team will meet as needed, but less frequently, to evaluate overall progress.

Formation of these two entities, the leadership group and the project team, is a seemingly uncomplicated task made difficult by the fact that a successful effort will involve buy-in and partnership by and among, at least, the executive and the legislative branches, Montana's congressional delegation, and the Board of Regents/university system – none of which has statutory authority over the others to direct the work proposed here. The current ad hoc working group will facilitate the formation of both the leadership group and the project team. Once these two groups are in place, the ad hoc group will dissolve and be replaced by the new project team.

After this point, the project team will be responsible for developing recommendations and keeping the leadership group informed of progress and

incorporating input from the leadership group into these recommendations. The project team will also be accountable for preparing project updates for the Board of Regents, the PEPB Subcommittee and other groups as needed.

The second major step is to more directly establish a new role for the Montana University System in strengthening the state's economy. This step involves getting broad-based agreement on those areas that provide the best opportunity for change but still leverage the university system's, and Montana's, unique strengths.

In the past, states recognized state universities primarily as assets for workforce preparation and, to a degree, for the localized benefits of spending.² Today more and more states are realizing and acting on university systems' critical role in helping set and implement economic policy. Universities in other states and around the world are significantly changing the way they have traditionally operated in order to fuel economic growth.

To provide real leadership in driving economic growth the Montana University System should, rather obviously, focus first on those areas where it has some inherent expertise or control. If it can excel in those areas where it already has some core competencies, the Montana University System should, over time, expand its leadership role. After many discussions among the ad hoc working group, the Board of Regents, the PEPB Subcommittee and others, a preliminary list of those areas of initial focus for the Montana University System can be roughly categorized in the following six initiatives:

- *Access to 2-year, 4-year and advanced degree education* – Good wages and career growth in the global economy depend on advanced skills training. We must make sure ALL of our citizens have better access to higher education. In addition to other considerations, this initiative would specifically consider distance learning and need-based aid.
- *Worker training* – Montana businesses increasingly need workers with specialized and customized skills. We must improve our ability to target our educational resources to provide these trained workers.
- *Technology transfer* – The Montana University System is by far the single most significant generator of new technology in our state. We must ensure we have a world-class process for developing needed technology and commercializing that technology in our businesses and entrepreneurs.
- *Entrepreneurship & Small Business Development* – With its vast research facilities, business schools, economics departments, etc., the university system is uniquely positioned to provide leadership on growing the small or start-up businesses that have historically provided the majority of new jobs in any state's economy.

- *Support of State Government*– With its many economists, computer modeling professionals, and other experts the university system is in a unique position to provide new and innovative recommendations to state government in many areas including: budgeting, revenue forecasting, fiscal note preparation, natural resource issues and a myriad of other policy decisions facing our legislators and other policy makers.
- *Generating Direct Economic Growth*– The university system plays a significant role in generating direct economic growth through the attraction of visiting faculty, research funds, non-resident students and others who all bring new money into the Montana economy. This initiative would evaluate the direct economic benefits of changing policies and priorities of the university system to increase this economic benefit for Montana.

It is worth noting that, while some of these six preliminary initiatives are generally within the university system's traditional areas of emphasis, this recommendation should not be construed as simply maintaining the status quo. For instance, to comprehensively address technology transfer and entrepreneurship, new policies must address access to capital, tax policy, better government-business partnerships, state and local government organization, etc. The university system can take a leadership role not only in areas where it has historically been comfortable but also in new areas where it has core competencies and credible expertise.

Furthermore, new leadership in these initiatives must be proactive and visionary with respect to our own economy and the realities of the 21st century. Each selected initiative will be evaluated in terms of the fundamental economic changes facing our state and the ability to leverage Montana's inherent strengths.

It will be the main focus of the leadership group and the project team to determine whether these six initiatives are the best opportunities for the university system and the Montana economy and whether this list should be expanded, modified or condensed. The project team will also examine the many activities currently underway in Montana to ensure that this is not an exercise in "reinventing the wheel." Once there has been agreement on which initiatives are to be pursued, the project team will immediately begin involving additional people with expertise in each respective initiative area to further develop the recommendations. **At the conclusion of this step there will be a recommended set of initiatives and a recommended set of individuals, specific to each initiative, to further develop and implement the initiatives.**

The third major step in this process will be to formally create project initiative teams to develop specific and detailed recommendations for each initiative and begin implementing those recommendations. It is anticipated that this step will entail establishing new working teams involving private- and public-sector

members that will focus on each of the priority initiatives established in step three. Each initiative team will identify anticipated outcomes expected over a two- to five-year period and be responsible for developing processes to achieve these outcomes.

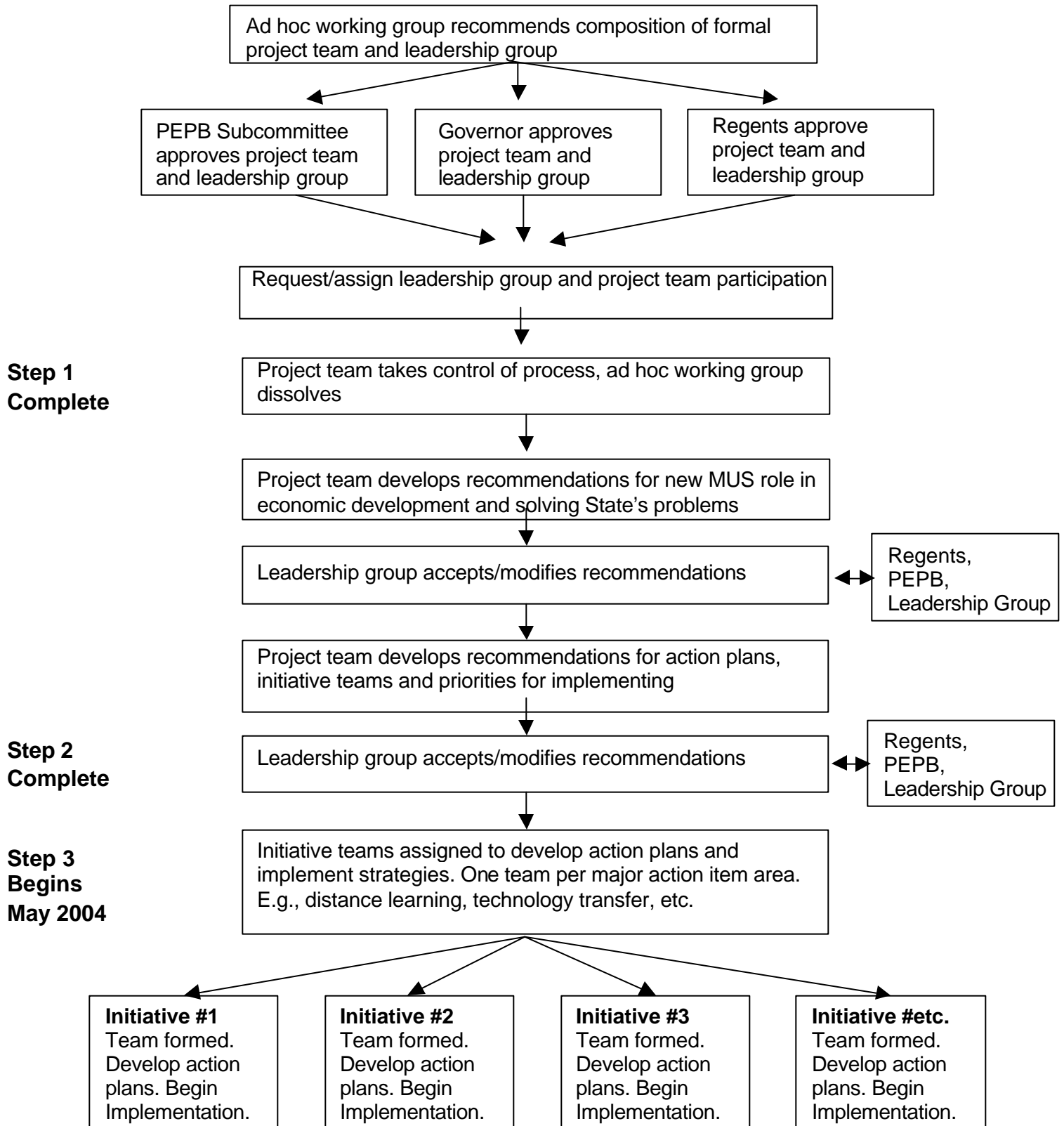
These new teams will be highly focused on specific initiative areas affecting Montana. There will need to be, on an ongoing basis, some entity that ensures inter-team coordination and support and that coordinates communication between these new teams and the leadership group and other involved organizations/branches of government. There are at least two options to consider at this juncture:

- The project team dissolves and these new initiative teams conduct their work and report directly to the leadership group. The Board of Regents would provide cross-team coordination and administrative oversight.
- The project team continues to provide input and coordination of these new teams. In this scenario we will also consider, during step three, altering the composition of the project team to better suit its new role.

Another State's Experience: As one relevant point of interest, the State of Oklahoma has recently undertaken a project very similar to that contemplated in this document. While not a perfect model for Montana, the Oklahoma project does illustrate how other state governments are anticipating and addressing the changing world economy in partnership with their university systems. It also suggests that, if Montana does not continue to be proactive, it is at serious risk of being left behind in a rapidly changing world. A summary of this Oklahoma initiative is attached.

Conclusion: Strong leadership is all about forging stronger partnerships with government entities, key leaders and the private sector (where jobs are ultimately created). This is what will grow the Montana economy. The Montana University System is in a unique position to help coordinate this effort. The Leadership Group, in this new partnership with the university system, will provide the catalyst for creating more good jobs for our citizens.

Process Description



Appendix A – Ad Hoc Working Group Composition

This group has fluctuated some during the past five months but has generally consisted of the following people. This group composition is open to change based on input from the Legislature, the Governor's Office or the Board of Regents.

Sheila Stearns, Commissioner of Higher Education
Arlene Parisot, Office of Commissioner of Higher Education
Clayton Schenck, Legislative Fiscal Division (LFD)
Terry Johnson, LFD
Pam Joeehler, LFD
Taryn Purdy, LFD
Alan Peura, LFD
Eddye McClure, Legislative Services Division (LSD)
Pat Murdo, LSD
Webb Brown, Montana Chamber of Commerce
Dave Gibson, Governor's Office

Appendix B – Leadership Group (Preliminary Recommendation Only)

The leadership group consists of private- and public-sector leaders with an interest in the Montana University System and economic development policies in Montana. The following is a preliminary list of potential members, most of who have not been contacted regarding willingness to serve in this capacity:

Both US Senators
Chair, Board of Public Education
Chair, Board of Regents
Commissioner of Higher Education
Director, Montana Chamber of Commerce
Governor
House Minority Leader
House Speaker
Representative, Leadership Montana
Representative, Organized Labor Leadership
Representative, Tribal Education
Senate President
Senate Minority Leader
Superintendent of Public Instruction
US Congressman

Footnotes

¹ “A Governor’s Guide to Building State Science and Technology Capacity,” National Governors’ Association Policy Paper, 2002

² “Building State Economies by Promoting University-Industry Technology Transfer,” Louis G. Tornatzky, Ph.D., National Governors’ Association, 2000